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IN THE

Supreme Court of the United States

OCTOBER TERM, 1943

No. 399.

TRIANGLE CONDUIT & CABLE COMPANY, INC.,
Petitioner,

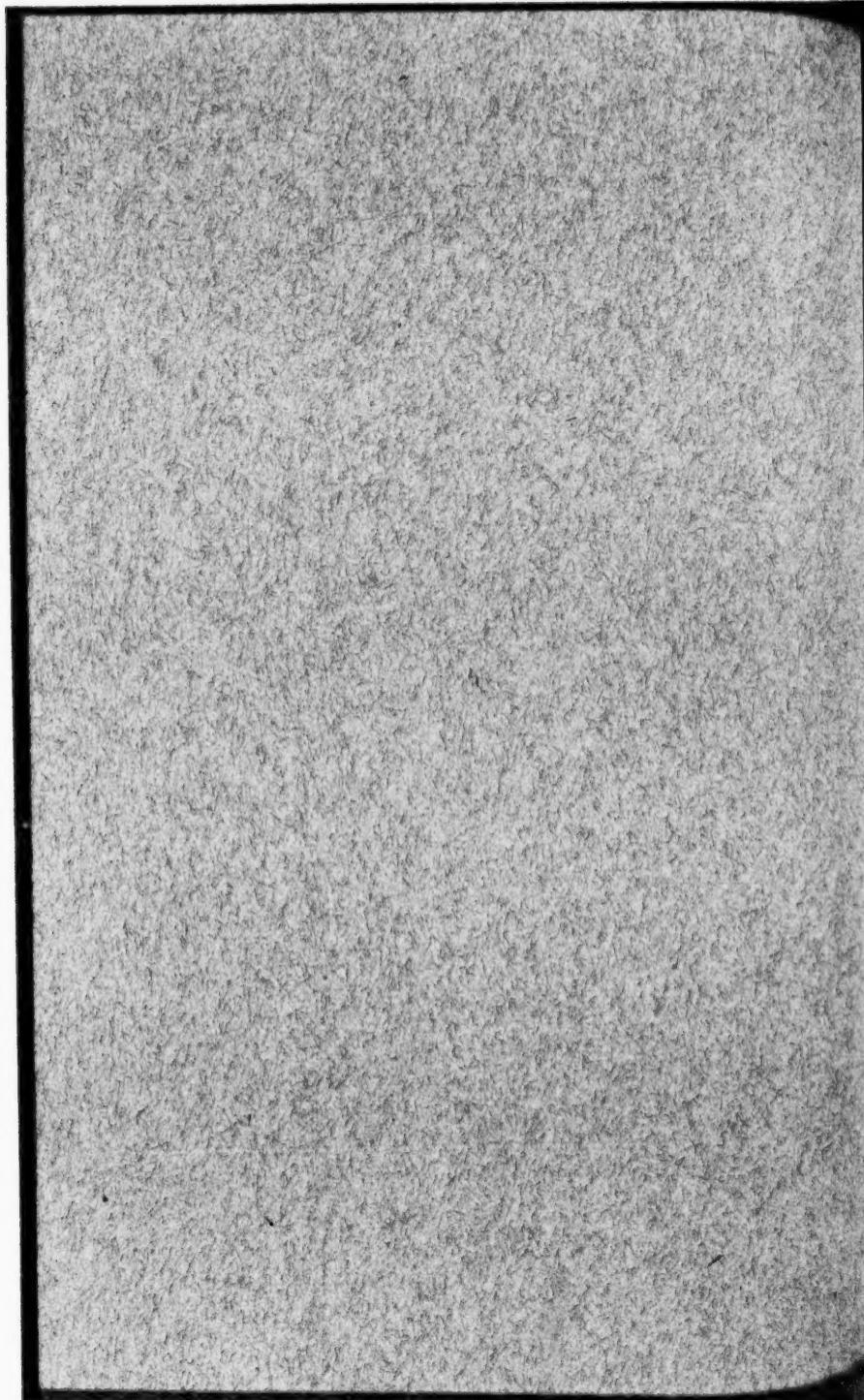
vs.

NATIONAL ELECTRIC PRODUCTS CORPORATION,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO
PETITION FOR WRIT OF CERTIORARI

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**BRIEF FOR RESPONDENT IN OPPOSITION TO
PETITION FOR WRIT OF CERTIORARI.**

The burden of the petition is that unscrupulous patent owners make a practice of harassing honest manufacturers, first by threatening the customers of the honest manufacturer with patent suits and then by bringing a multiplicity of such suits, and that the decision below encourages that evil practice and nullifies the beneficial effect of the Declaratory Judgments Act in curing the evil.

None of this has any relation to the facts of this case or to the reality of the decision below.

The single thing decided below is that respondent is free to prosecute its pending action against Sears Roebuck & Company in Michigan, wherein respondent seeks relief by way of injunction and accounting against that major competitor; and that respondent may do so although the pres-

ent action is on the same patents and is against petitioner, from whom Sears Roebuck procures most of its infringing products.

In reaching that decision the court below applied a uniform, long established and carefully qualified rule to a special fact situation well within that rule and clear of its qualifications. The rule is that, in the absence of evidence that it is a means of harassment and unfair competition, a patent owner may maintain a suit against a reselling "customer" of an infringing manufacturer during the pendency of a suit against the manufacturer on the same patent.

Sherman, Clay & Co. v. Searchlight Horn Co., 225 Fed. 497, C. C. A. 9

Kryptok Co. v. Stead Lens Co., 190 Fed. 767, C. C. A. 8

Wagner Co. v. Meccano, Ltd., 239 Fed. 901, C. C. A. 6

DeLaski & Thropp etc. Co. v. Empire etc. Co., 239 Fed. 139, 142-4, D. C., D. N. J.

The qualification was recognized in the earlier decision of the court below (Tr. 15, at 17):

"Consequently even though National is enjoined from proceeding against Triangle it is fully empowered to sever its separate cause of action against Sears, Roebuck & Company and to proceed with the prosecution of that cause of action alone. Whether National does so is of no concern to Triangle or to the district court in Delaware *unless the prosecution of that cause of action can be shown to be a means of unfair competition with Triangle*" (emphasis added).

The present case is not within that qualification of the rule because: (1) there were no threats or demands prior to the litigation; (2) there is no multiplicity of "customer"

suits and no prospect of any; (3) there is no evidence of present or prospective harassment or harm to petitioner, and the courts below have so found; and (4) the one "customer" sued is not at all the sort of concern ordinarily suggested by the term "customer" (i. e., is not the run of the mill jobber or distributor); but is one of the country's most powerful companies, whose use of respondent's improvements in direct competition with respondent has a damaging effect and must be checked promptly, and moreover must be checked directly rather than through petitioner because this "customer" can shift its procurement from petitioner to some other manufacturer equally willing to disregard patents in order to gain such a large account.

Petitioner seeks to have the action against Sears Roebuck restrained until after a trial and appeal in this case, which would still leave the necessity of a second trial and appeal in the Sears Roebuck case before any relief against the infringing competition of Sears could be obtained. It is important to respondent to proceed at the same time against both. It is an open question which is the prime infringer. Sears Roebuck is a powerful competitor, well able to defend itself, and there is no reason why it should be given the very considerable competitive advantage of not having to face an adjudication until petitioner's case is disposed of. The delay would prolong the period in which respondent has to stand the infringing competition. It would reduce respondent's primary right of exclusion to the less valuable right of money recovery for the infringement during the period of delay.

To justify such a prejudice to respondent, petitioner offers no evidence whatever of any detriment to it if the restraint is not imposed. Although the injury to respondent is the same as if Sears made its own products, the attempt is to give Sears a preferred status simply because it can be called a "customer." The argument is most

unreal. We do not think that respondent's right to proceed against the infringing competition of Sears Roebuck should depend on the circumstance that in this line of its business Sears Roebuck does not make its own products but has them made by petitioner.

If there were any trace of harmful effect upon petitioner's business, to give reality to the assertion of harassment, it is certain that petitioner would have presented evidence of it to support its motion; but it has no evidence and the case stands as it did on petitioner's earlier motion for the same restraint against the Sears Roebuck case, on which the district court found as follows (38 F. Supp. 533 at 535):

"Plaintiff pretends to fear a campaign of intimidation but presents no basis for such a fear. The affidavit of the vice president and secretary of defendant shows that no such campaign is planned or will be permitted. Defendant has made no threats. There is no evidence of harassment. Defendant has one suit pending in Detroit against plaintiff and one large customer, Sears, Roebuck & Co. Notice of infringement, without threat or demand, has been sent to one other large customer, M. B. Austin Company. Other jobbers and customers have not been notified of infringement."

Respondent's action against Sears Roebuck has already been too long delayed by tactical moves of petitioner in this case. After considerable delay incident to proceedings in this case,* which kept the status of both cases uncertain,

*Those earlier proceedings, extending to April, 1942 when this court denied a petition for writ of certiorari filed by the present respondent (316 U. S. 676, No. 1078, October Term, 1941) settled the question whether this respondent should be permitted to maintain its joint action in Michigan against both petitioner and Sears Roebuck, or whether the controversy between petitioner and respondent should be severed and tried

(Footnote continued on next page.)

that case in Michigan was set down for a trial on April 5, 1943; but had to be put over when petitioner succeeded in obtaining the injunction (Tr. 6-9) which the Court of Appeals below has recently reversed (Tr. 19-24). The severed Michigan action against Sears Roebuck will be tried next January unless further delayed by this petition. It seems to us therefore that the most important thing in this whole situation is to bring an end to interlocutory proceedings and to proceed to trial.

There Is No Conflict Of Decision.

On the single question decided below, the decision is in accord with all of the decisions on the same question.

The uniform rule starts with the proposition established by this court in *Birdsell v. Shaliol*, 112 U. S. 485 (1884) that the statutory right of a patent owner includes the right to proceed against each maker, each user and each

(Footnote continued from previous page.)

in the present action. The court below held for the latter course on the sole ground that this action had priority so far as concerns the controversy between petitioner and respondent (Tr. 15-18). Petitioner gained its priority because it brought this action within a week after respondent sent the statutory notices of infringement and during the period when respondent was obtaining evidence of continued infringement after notice. As to the necessity of such notices, which are to be distinguished from threats and demands, and of obtaining proof of continued infringement after notice as a basis for a right of money recovery, see *Franklin Brass Foundry Co. v. Shapiro & Aronson*, 278 Fed. 435, 442-4, C. C. A. 3, and *Horvath v. McCord Radiator Co.*, 100 F. (2d) 326, 337, C. C. A. 6. The notices sent by respondent went to petitioner as well as to the two large customers, not to the customers alone as petitioner's brief indicates. All of the facts appear in the record in this Court in No. 1078 at the October Term, 1941.

seller of an infringing product; that a recovery of damages from the maker does not license the product in the hands of a purchaser from the maker and certainly confers no right upon the customer to continue his infringement; and that the only effect of a recovery of damages from the maker is the usual consequence of a recovery of compensation for a tort, namely, that it bars recovery of the same compensation from another person who caused no other damage. Full relief by injunction and accounting can be obtained therefore only by action against each maker, seller or user whose operations are of a scale to make relief necessary.

Proceeding from this premise, the courts have recognized the right of a patent owner to maintain a *bona fide* action against a reselling customer at the same time that the patent owner is maintaining an action against the manufacturer; but in doing this the courts have also recognized that such actions, especially when a number of small customers are sued, may be made a means of harassment and unfair competition. *Hazeltine v. Atwater Kent*, 34 F. (2d) 50, represents what probably is the limit of what the courts will permit in number of "customer" suits, and that case turned on a special showing of need on the part of the patent owner.

But there are situations such as the present one in which it is highly important to the protection of the business based on the patent that the patent owner proceed without delay against one who uses or resells something made by another; in fact, that need may be as great as the need to proceed against the maker. And if the "customer" is one whose business operations in question are large and there is nothing to indicate that the patent owner's action is not genuine, then all of those considerations become inapplicable which in other situations lead everyone to agree that the "customer" suit should be restrained.

Petitioner does not point to any case which on any similar facts has reached a result contrary to that of the

decision below. Instead, it asserts a conflict with the "principle" of certain decisions in declaratory judgment actions where the question was either (1) whether particular threats or other action by a patent owner constituted a controversy justiciable under the Declaratory Judgments Act, or (2) whether a declaratory action brought by a manufacturer against a patent owner should take precedence over a later action by the patent owner against the same manufacturer, and should lead to a restraint of the latter.

We think it plain that there is no conflict either of decision or of principle. The present question has nothing to do with either law or policy with respect to declaratory actions. Whether or not a suit against a "customer" should be restrained is the same question whether the action involving the manufacturer is a declaratory action initiated by the manufacturer or an executory action initiated by the patent owner. The only material fact is the existence of an action of some sort between the patent owner and the manufacturer, and the question with respect to the "customer" suit involves the quite different considerations which we have already set forth.

Petitioner cites the fact that a bill has been introduced in Congress which, if enacted, would require a contrary result from that reached by the court below. The bill has made little progress. Whether or not anything so drastic is needed must be determined by the Congress. If there is to be an absolute rule against "customer" suits during the pendency of a suit against the manufacturer, it must find its justification in evidence that the protection now afforded by the courts against abuse of the present qualified right is inadequate in some considerable number of cases, and that the resulting harm in the cases of abuse is so great and so irremediable otherwise that the harmful effects of an absolute rule to some patent owners must be submerged in the interest of a discipline for the rest. Since such an absolute rule would cut down the patent right as

now conferred by statute, and any serious consideration of its need would require more investigation than the subject has received as yet, its enactment would seem to be a matter for legislative rather than judicial action. But even if this Court should conceive it to be appropriate for it on some occasion to consider the wisdom of such a rule, in the absence of conflict among the courts of appeals, we do not think that the present case lends itself to the purpose. This is the sort of case that works against an absolute rule and not a case from which such a rule could well spring. We therefore see nothing in the proposed legislation that suggests the desirability of a review in this case.

**The Decision Below Does Not Nullify The Salutary Effect
Of The Declaratory Judgments Act.**

The premise of petitioner's point about the nullification of the declaratory judgment statute in patent cases is that the decision below has the effect of permitting a patent owner to bring a multiplicity of suits against customers and thereby to harass both them and the manufacturer of the accused product. Because this premise fails, the argument as a whole fails.

The very rule applied by the court below would prevent any such multiplicity of suits because it includes the qualification that the patent owner's right to sue a customer must not be abused by being made a means of harassment and unfair competition. If so abused, the patent owner is subject to restraint by injunction. This qualification is included in many of the authoritative statements of the rule, of which that of Judge Sanborn in *Kryptok v. Stead Lens Co.*, 190 Fed. 767, C. C. A. 8, cited by the court below, is an example (*id.*, 769):

"Established principles of equity jurisprudence are
(1) that one may not be enjoined from doing lawful
acts to protect and enforce his rights of property or

of person, unless his acts to that effect are clearly shown to be done unnecessarily, not for the purpose of preserving and enforcing his rights, but maliciously to vex, annoy, and injure another; and (2) that where the injury to the applicant if the preliminary injunction is refused will probably be greater than the injury to the opponent if it is granted it should be issued, while if the contrary is the probable result the application for it should be denied. *Russell v. Farley*, 105 U. S. 433, 438, 26 L. Ed. 1060; *Shubert v. Woodward*, 92 C. C. A. 509, 522, 167 Fed. 47, 60; *Blount v. Societe Anonyme Du Filtre*, 53 Fed. 98, 101, 3 C. C. A. 455, 458."

Further, there is no circumstance in the present case to suggest the possibility that respondent will bring any additional actions against customers of petitioner. It did not even send statutory notices of infringement to the small customers of petitioner, but notified only its two largest customers who occupy special positions in the channels of distribution and whose infringing competition is of such nature that it could not be ignored. These notices were necessary to preserve respondent's right of recovery against these infringers. Note *Kryptok v. Stead*, at page 770.

The argument based on the fact that the issues of invention and infringement in the case against Sears Roebuck are the same as in the present case was properly answered by the court below, which pointed out that the parties are not the same in the two cases and that the causes of action are different (Tr. 22). Respondent has a separate and distinct right of action against Sears Roebuck to enjoin it from infringement and to recover its separate profits from the infringement. It needs that relief and can not obtain it in the present action to which Sears Roebuck is not a party.

It is no answer to say that respondent may prosecute its case against Sears Roebuck after a successful trial and

appeal in the present action. That would simply give Sears Roebuck additional years of immunity, after which it can put respondent to the further delay of a trial and an appeal in its case. The prejudice to respondent that would flow from that has already been stated.

**The Decision Below Involves No Question Of
General Or Public Importance.**

Petitioner's argument on this point merely repeats the arguments already considered, founded on the incorrect factual premise that the action against Sears Roebuck was brought in order to harass petitioner and for no legitimate purpose and that the decision below opens the door to a multiplicity of suits. The action against Sears Roebuck has but the one purpose of stopping the infringement as promptly as possible and giving respondent its appropriate money recovery. There is nothing to indicate that even incidentally it has had or can have any detrimental effect upon petitioner. Petitioner continues to sell to Sears Roebuck and to enjoy every advantage of the infringement.

**The Decision Below Is Not In Conflict With
The Decision In *Kessler v. Eldred*.**

The decision of this court in *Kessler v. Eldred*, 206 U. S. 285, reiterated in *Rubber Tire Wheel Co. v. Goodyear Tire & Rubber Co.*, 232 U. S. 413, establishes the proposition that when a judgment of invalidity or non-infringement has been rendered in a patent action against a manufacturer, that manufacturer thereafter may have an injunction restraining any suits against his customers based on the resale of the particular products adjudged to be free of the patent. The express rationale of the decision is that this is necessary in order to give the manufacturer the full benefit and effect of the judgment he has won.

Once he has established by a final judgment that he is free to sell a particular product, the manufacturer must be given a real freedom to do so unhampered by suits against those who buy it from him.

The only present significance of the doctrine of *Kessler v. Eldred* is that it confirms the decision below. It shows that the result which petitioner seeks is something which it can have only when and if it wins a final judgment that its product is free of the patent. A doctrine which rests entirely on the existence of such a final judgment can be of no aid to petitioner at this stage of the litigation when there has not even been a trial.

CONCLUSION.

The petition presents no question justifying a review in this Court, and should be denied.

Respectfully submitted,

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